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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF HAWAII

In the Matter of the Application	)	DOCKET NO. 2009-0048
	)	
MOLOKAI PUBLIC UTILITIES, INC.	)	INITIAL INFORMATION REQUESTS OF
	)	WEST MOLOKAI ASSOCIATION;
For review and approval of rate increases; revised rate schedules; and revised rules.	)	CERTIFICATE OF SERVICE
	)	

INITIAL INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION

Comes now West Molokai Association (WMA), by and through its legal counsel, William W. Milks, Esq., pursuant to the Stipulating Parties' Pre-Hearing Procedural Order, to serve WMA's Initial Information Requests ("IR") on Applicant Molokai Public Utilities, Inc. ("MPU").

Formatting of MPU's responses shall be in accord with the Stipulating Parties' "Pre-Hearing Procedural Order."

I. 100-SERIES: ECONOMICS/NORMALIZED DEMANDS FOR WATER

WMA-IR-101 Provide all data in MPU's possession, regarding total water volume sold by MPU, by month and by each tariffed category of

service (e.g. 5/8, "1," etc.), for years 2004 through 2008.

WMA-IR-102 It appears that the difference between the volume of water pumped and the volume of water which MPU bills customers suggests a loss approximating 24%. Indicate as accurately as possible the volumes of water "missing" which are delivered to the Department of Hawaiian Homelands, taken by MIS, and physical losses of water, identifying with as much precision as possible the location of the major losses of water. Also, indicate the volume of water transferred to Waiola O Molokai ("WOM") on an annual basis, for years 2004 through 2008.

WMA-IR-103 Provide the capacities of the following components of MPU's utility system:

- Pumping capacity, for each functioning pump.
- Storage capacity, for each reservoir.
- Capacity of transmission and distribution lines (water at maximum flows, and static capacity).

WMA-IR-104 Provide the date and status of negotiations between WPU (or any of its affiliated companies on behalf of MPU) and Molokai Irrigation System ("MIS") with regard to fees being paid, water being delivered to MIS, or other compensation, and provide all correspondence between the negotiating parties, providing this record an accurate depiction of the status of negotiations between MPU's interests and MIS's interest.

WMA-IR-105 Kualapuu Bulk Sales Arrangement.

a. Is there any written contractual relationship between MPU and WOM for this service? If no, why? If yes, provide copy.

b. Why has a fixed monthly charge not been included in the rate structure for this account?

c. When will an analysis of the actual cost of providing this service, in terms of both fixed and variable components, be submitted for the record in these proceedings?

d. When will an audited "arms length" accounting of the proposed financial arrangement between two wholly-owned subsidiaries of MPL be submitted for the record in these proceedings?

WMA-IR-106 Provide a detailed explanation of the actions taken by MPU to identify the location and to remedy the physical loss of water through leakage, broken pipes, loose fittings, and other losses being experienced by MPU, on MPU's side of the meters.

WMA-IR-107 Provide the calculations and formulas relied upon by MPU to determine the cost of the water delivered by MPU to WOM.

WMA-IR-108 Provide the calculations, formulae, and data relied upon by MPU to allocate the capacity costs and portions of the plant owned by MPU (or MPL, and ostensibly leased to MPU) in order to ensure that WOM's system is paying its fair share of capacity costs and other fixed costs incurred by MPU in order to deliver water to

WOM's utility water system.

WMA-IR-109 If residential parcels of land in the MPU service area were completely built out, indicate how the existing system would have to be expanded, if at all, in terms of each of the components set for in WMA-IR-102.

WMA-IR-110 Provide MPU's best estimate to the best of MPU's ability, the changes in capacity of MPU's transport system (transmission lines, storage, pumps), assuming the demand for potable water in WOM's service area were significantly increased (assume 20% over 2004 levels) WOM's.

WMA-IR-111 In Re: Exhibit MPU 4. Break down with greater specificity the consumption (i.e. gallons per month) of each of the "customer classification/base levels," providing consumption for each and all of the condominium, apartment, and subdivision complexes.

WMA-IR-112 Explain the apparent discrepancy between the number of customers suggested as 211 (Refer, Exhibit MPU 11) versus the purported number of customers, as indicated on Exhibit MPU 11.1.

WMA-IR-113 What is the date of the shutdown of the golf course?

WMA-IR-114 What is the date of the shutdown of the hotel?

WMA-IR-115 What amount of irrigation, in thousands of gallons per month, was conducted by the golf course, subsequent to golf course operations, but prior to ceasing all irrigation?

WMA-IR-116 What is the date the golf course ceased all irrigation efforts, and effectively ceased being a customer of MPU?

WMA-IR-117 Provide the total number of residential land parcels in MPU's service area, the number of parcels metered, and the number of improved parcels where residents are users of MPU's services. Also, how many of the original total of parcels remain unsold?

WMA-IR-118 Identify the revenue received from fire hydrant billings and the entities actually billed. If none, explain.

WMA-IR-119 Please explain the methods used to monitor/reconcile the two metered water flows (MIS and Mountain Water System) into the the raw water reservoir(s) at Puunana with the metered water flows delivered to MPU and WOM customers. More specifically, show how water transfers are controlled to ensure that the quantity of water removed from Well 17 in any given time interval actually correlates with the metered quantity of water delivered to MPU customers over the same time interval. In addition, please provide a historical record of such product accountings.

II. 200-SERIES: FINANCE AND ACCOUNTING

WMA-IR-201 Provide MPU's "Chart of Accounts," defining the accounts for both MPU and WOM, and explain how each item in each account has been allocated between the two separate utilities, for all items

where costs are jointly incurred.

WMA-IR-202 Explain in detail how costs common to both MPU and WOM are initially entered on MPU's legers.

WMA-IR-203 Please state the last date in which negotiations were conducted between MPU (or other MPL affiliate) and DHHL, with regard to the amount of water MPU delivers to DHHL homesteaders.

WMA-IR-204 With regard to the accounting of cash, provide all recorded accounting from all accounts MPU shares in common with either MPL, or other affiliated companies (e.g. KWC, KLC).

WMA-IR-205 For years 2004 through 2008, indicate the revenues booked for each sub category of service, as depicted in MPU's tariff schedules, including but not limited to deposits, water consumption charges, conservation charges, standby charges, per hydrant private fire protection rates, per standby private protection rates, and in-diameter feed mains, monthly water availability charges, contribution for tap-ins, reconnection fees, bulk water sales, and temporary fire hydrant water usage, all for 2008. Indicate how each sub-category of revenues was booked in MPU's legers for 2008.

WMA-IR-206 Explain the apparent inconsistency between Exhibit MPU 2, Schedule 6, indicating "no promissory notes, bonds, or other indebtedness," and the statement that "as of December 31, 2008, due to MPL and affiliates amounts to $3,645,969." (Refer, MPU,

2, Schedule 4 – Audited Financial Statements.)

WMA-IR-207 In Re: Exhibit MPU-2, Schedule 4. This exhibit states: "In 2008, the company recorded water sales of $166,273 to affiliated entities. Provide the names of the entities, the volumes, for each entity, by month, for 2008.

WMA-IR-208 In Re: "Statement on Liquidity," (Exhibit MPU 2, Schedule 4). MPU apparently is being managed on a "annual cash flow" basis. Further, "MPL will provide financial support, as needed, to ensure future financial viability of the company, and until rate relief is forthcoming from MPU's applications for rate increases from the PUC." Assuming MPL will provide cash for ongoing operations, is MPL/MPU agreeable to economic regulation for the foreseeable future, on a "cash flow" basis?

WMA-IR-209 Given the audited financial report indication that MPU's original cost of property, undepreciated is $1,680,419, is it a correct to assume that all dollar values shown on the depreciation scheduled Exhibit MPU-3 are erroneous, and thus are not to be relied upon by MPU and the parties to this case?

WMA-IR-210 Given the same assumption as indicated in WMA-IR-208, is it correct that Exhibit MPU-9 and Exhibit MPU-9.1 are being at variance to audited financials, will not to be relied upon by MPU and other parties in this proceeding?

WMA-IR-211 Please separate each accounting line item, or component thereof,

into fixed and variable expense categories and describe the rationale for such assignments/allocations.

WMA-IR-212 In Re: Workpaper MPU 10.2, Page 3 of 5.

a. Explain the entry of 138,000 TG on line 1 instead of the 112,000 TG value described in Mr. O'Brien's testimony. (See page 37 of 44, lines 15 through 19.)

b. The entry of 15.8% for lost and unaccounted (L&U) water on line 2 is based upon data for the 12 months ending March 2007 per Mr. O'Brien's testimony (see page 24 of 44, lines 13 through 15). Why is this estimate based upon data that does not represent test year conditions? Please provide another estimate based upon more recent data, together with the data files and calculations.

c. Why are the losses through the treatment plant (22.6% entry on line 4) so large? Restated, the treatment plant losses represent about 16.3% of the total volume of water lifted from the MIS through the Mahara Pump Station [(31,186/190,922) x 100%]. Explain.

d. Explain the entry of 18,000 TG on line 12 instead of the 26,000 TG value described in Mr. O'Brien's testimony. (See page 36 of 44, lines 20 through 22.)

e. Explain the relevance of lines 13 and 14. L&U water beyond the metered point of connection are already included in the

test year proforma usage value of 26,000 TG.

WMA-IR-213 In Re: Workpaper MPU 10.2, Page 1 of 5.

a. How was the value of 600,000 kwh shown on line 1 actually determined? It is not consistent with the result one would obtain using the same estimating rationale employed for test year water usage (see page 37, lines 15 through 19 of Mr. O'Brien's testimony). Total electric energy consumption for the last six (6) months of 2008 was 244,000 kwh, as per page 2 of 5, column 2. Using the same rationale, the proforma usage would be estimated as 463,600 kwh (2 x 244,000 kwh x 0.95).

b. Explain the relevance of Puunana electric charges to MPU's operations. If this meter is applicable to water transfer and treatment plant equipment, then said charges should be allocated between MPU, WOM (and MPL?) since raw (untreated surface) water flows are combined prior to treatment.

c. Explain the relevance of Palaau electric charges to MPU's operations.

III. 300-SERIES: PLANT-IN-SERVICE

WMA-IR-301 Facilities Description. Provide a detailed description of the installed facilities used to pump, transfer, treat, store and

distribute water to MPU's customers--with emphasis on the portion of the system from the point of connection to the MIS near the Mahana Pump Station downstream to the several storage reservoirs and pipelines serving MPU's retail customers. Please include:

a. Location of every major component on a scaled map.

b. A brief statement as to the purpose and function of each major component.

c. Physical parameters/attributes of each major component (i.e., sizes, dimensions, capacities, construction materials, etc.).

d. Engineering (construction) drawings/specifications, installation/commissioning photographs, as well as any other photographs, documents etc., that would clarify the system description.

e. Dates of original construction, improvements and rehabilitation.

f. Present condition of each major component, known problems and estimated useful life remaining.

g. Legal owner(s) of each major component and underlying land or recorded easement.

h. Cross reference to corresponding asset in depreciation schedule, lease contract with legal owner, or other financial arrangement.

WMA-IR-302 Explain the apparent discrepancy in the original "plant-in-service" line on the MPU's initially filed application's Balance Sheet, on the one hand, with the original cost of "plant-in-service" line on the audited Balance Sheet in the June 29, 2009 MPU Application.

WMA-IR-303 Please identify the water assets rented from MPL at the cost of $430.00 per month as shown in Exhibit 2, Schedule 5, line 16. Are these costs included in Exhibit MPU 10?

IV. 400-SERIES: OPERATIONS AND OPERATING EXPENSES

WMA-IR-401 Facilities Operation. Describe the operation and maintenance of MPU's facilities during a typical interval—with emphasis on water transfers from the MIS through the treatment plant and on to the several storage reservoirs/tanks. Since the system does not require staffing on a 24/7 basis, it is important to have a sense of the practices, procedures and schedules typically used to pump, treat and transfer water in bulk quantities as well as those controlling routine maintenance of the company's assets. More specifically, identify and describe those operations that are:

a. Conducted routinely on some sort of repetitive schedule.

b. Limited to a particular day or time period (such as Mahana pump runs during MECO's off peak hours).

c. Batch transfers, processes or actions conducted on a demand

or "as required" basis. For these, identify the range of typical batch sizes and/or processing time intervals.

In addition, identify whether the actions are accomplished automatically without human intervention (i.e., by time clock or other controls) or manually.

WMA-IR-402 Moana Makani Bypass. Describe the Moana Makai Bypass in detail. Please provide complete information regarding:

a. The purpose/function of these facilities, the reason(s) for the installation and the installation time frames.

b. The location of all components on a scaled map.

c. The physical characteristics of all major components (i.e., types, sizes and lengths of pipe runs, control values, meters, etc.).

d. Engineering (construction) drawings/specifications, installation/commissioning photographs, as well as any other photographs, documents etc., that would clarify the system description.

e. The identification of all parcels/properties presently served by the Moana Makani Bypass facilities and all additional parcels/properties that would be served by these facilities at ultimate build out.

f. Estimated water usage for the test year together with historical consumption data for the last 5 years.

WMA-IR-404 Provide the copy of the Lease Agreement MPU (or MPL) has with the Hawaii Department of Agriculture, regarding use of the MIS system.

WMA-IR-405 Historically, MPU has paid monies to the State of Hawaii Department of Agriculture, for water usage, which amount is estimated to be $12,000 per month for the test year. Explain the contractual basis for the projected amount to be paid.

WMA-IR-406 In Re: to Exhibit MPU 2, Schedule 4, Page 4. It appears that MPU paid MPL $214,640 for water. However, the owner of the well is indicated as Kaluakoi Water Company. Please Explain the entry.

WMA-IR-407 How are treatment plant chemical costs, labor charges, depreciation expenses, etc., allocated between MPU and WOM? Identify corresponding entries in the two rate applications.

WMA-IR-408 Please correct entries in Exhibit MPU 10.4, column 7 as appropriate. For example, should Exhibit 10.13 be changed to Exhibit 10.11?

V. 500-SERIES: ALLOCATIONS OF EXPENSES, PLANT, AND CAPITALIZED COSTS

WMA-IR-501 In Re: Exhibit MPU 11. For purposes of allocation, is it correct that water is delivered to Waiola, at two different points: (a) at the Kualapuu Tap, and (b) at the water purification facility? If "yes,"

is it correct that the apparent allocation based upon water flow would be 81.6% MPU (112,00/138,000) and 18.84% WOM (26,000/138,000)?

WMA-IR-502 In Re: Exhibit MPU 10.4. For each of the charges to MPU by MPL (i.e. Account No. 610), please indicate (for items numbered 6 through 19) if the amounts indicated are pre or post- allocation, and if so, how were such amounts allocated between or among MPL, MPU, WOM, Kaluakoi Land Company, and Kaluakoi Water Company?

WMA-IR-503 What allocator between MPU and WOM, for potable water exiting the purification facility.

WMA-IR-504 In Re: to Exhibit MPU 2, Schedule 4, Page 4. It is indicated that the total allocated costs amount to $48,763. Going beyond the detail in Note 5, describe how this amount was derived [other than statements that it was salaries and wages ($15,939), fuel ($7,558), and "other" ($25,266)].

WMA-IR-505 Labor costs in Workpaper MPU 10.1 are allocated entirely to MPU, WOM and MOSCO. However, the labor distribution reported for October 2008 (Monthly Report filed on November 28, 2008 in PUC Docket 2008-0115) shows corresponding labor costs allocated to six entities (MPU, WOM, MOSCO, MPL Potable, MPL Sewer and MPL Mountain) - - with approximately 50% of the total allocated to the three MPL entities. Please

identify the employees/contractors that will operate and maintain the three MPL entities during the test year, and provide a detailed financial accounting of all cost elements required to operate and maintain said private utilities, independent of MPU, WOM and MOSCO. Clearly, all labor costs and other expenses applicable to MPL's private utilities must be separated from those pertaining to the three regulated public utilities.

WMA-IR-506 Please certify that all expenses allocated entirely to MPU, WOM and MOSCO are, in fact, entirely applicable to the three regulated public utilities, and that no portion of the costs claimed are applicable to the operation and maintenance of MPL's private utilities and/or other business activities.

VI. 600-SERIES: WATER QUALITY AND RELIABILITY OF SERVICE

WMA-IR-601 Other than Federal, State, and Country regulations governing safety of the water for public health services, provide copies of each and every report in MPU's possession with regard to sedimentation in the water.

WMA-IR-601 What is MPU's best/most current understanding as to the source of sediment in the water, which apparently is being captured in filters, in subscribers homes in the service area.

WMA-IR-603 Describe in detail (using "as built plans," if necessary), the precise point closest point to the processing plant, where water is

extracted from the system after exiting the plant, where samples are gathered for reports to governmental agencies.

WMA-IR-604 Provide detailed description of the usual points where MPU samples water within the service area, for reporting purposes for public health considerations/compliance with Federal, State, and County water purity purposes.

WMA-IR-605 Overflows. Describe the means of conveyance and ultimate disposition of water overflow and/or inadvertent discharges from each storage reservoir or task. Identify overflow pipelines and/or flow paths on scaled map. Are any such flows monitored, measured or metered? If so, describe.

WMA-IR-606 Treatment Plant Discharges. Describe the means of conveyance and ultimate disposition of all non-potable water flows and/or inadvertent discharges produced during the various water treatment processes, stages, operations, etc. Identify discharge pipelines and/or flow paths on a scaled map. Are any such flows monitored, measured or metered? If so, describe.

WMA-IR-607 With regard to physical loss of water, indicate efforts taken by MPU to quantify the amounts lost on the customers' side of the meters, most notably Kaluakoi Golf Course and Kaluakoi Hotel.

VII. 700-SERIES: INTER AND INTRA-CORPORATE TRANSACTIONS

WMA-IR-701 Provide a detailed history of the transactions between and among

the principals with regard to the acquisition of all facilities incorporated into MPU's water system, and costs related to construction, site preparation, and other capitalized costs, with regard to all plant-in-service, in essence showing a chain of ownership resulting in MPU's ownership of its facilities.

WMA-IR-702 In Re: Legal Presumption. Hawaii regulatory law presumes the developer recovers all costs of infrastructure (e.g. water distribution system) in the selling prices of the initial sale of parcels within a subdivision, unless extremely well-documented accounting records effectively rebut such presumption. Provide the requests accounting.

VIII. 800-SERIES: TARIFF RATES, RULES, ADJUSTMENT CLAUSES

WMA-IR-801 Provide details, in the form of documentation, with regard to innovative rate designs previously considered by MPU, for introduction and possible use, to its promoting water conservation.

WMA-IR-802 Re: MPU's obligation to provide agricultural water to agricultural lots in its service area, what proposal does MPU have to fulfill its obligation and still recover its costs by innovative rate design

WMA-IR-803 Provide MPU's estimate of its marginal costs (fixed and variable) of delivery of water to residential customers in its service area.

WMA-IR-804 Provide MPU's work papers, cost data, and formulae, used to

determine the marginal cost of delivering water to commercial and industrial customers located in MPU's service area. (MPU may use categories of service, indicated by the size of the water access lines/meters, as surrogate to industrial and commercial customers.)

IX. 900-SERIES: OTHER RATE INCREASE-RELATED MATTERS

WMA-IR-901 State MPU's position with regard to the continuance of its utility service if the rate relief requested in its Amended Application filed June 29, 2009 is not granted in its entirety. (This IR is based on a close reading of MPL and MPU's Public Statements that it will continue to provide service only if rates are, in MPL-MPU's opinion, sufficiently compensatory.)

WMA-IR-902 Are showers and related facilities located at the public beach access points within the Papahaku Ranchlands metered? If not, why? If yes, identify the entities billed.

WMA-IR-903 Identify the firms and/or MPL personnel that operate and maintain the Mountain Water System and the unregulated wastewater systems serving Kualapuu and Maunaloa.

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MOLOKAI PUBLIC UTILITIES, INC.	)	CERTIFICATE OF SERVICE.
	)	
For review and approval of rate increases; revised rate schedules; and revised rules.	)	
	)	

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was duly served on the following parties, by hand delivery or mail, postage prepaid, to their last known addresses set forth below, on this date:

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